recommended by the Travancore Banking Enquiry Committee, should be appointed at an early date, to remedy the above evils and to control properly the motor traffic in the State.

DEWAN'S REPLY: Mr. Subramonia Pillai. Your suggestions for means of supplying good drinking water will receive the careful consideration of Government. But I may tell you that even now the question of sinking a few wells is under the consideration of the Government and estimates are being prepared.

The Achal Office at the Monday Market has been recommended to be removed from the present site and the Anchal Superintendent is on the look-out for a proper site. The matter is under correspondence.

Then you said that some rules relating to motor traffic should be modified. Government will consider whether the modifications that you suggested are desirable and such modifications as are desirable will be introduced. The other points will be investigated.

### 82. Merchants and Income Tax Regulation.

MR. M. LAKSHMANAN PILLAI, JANARDANA PILLAI (*Trading Classes, Alleppey*) said that he represented about the grievances of the traders on account of the working of the Income Tax Regulation at the last session of the Assembly. The Government had sent him a reply to the effect that the Income Tax Commissioner had reported that the Tahsildars and the Division Assistants were not insisting on the production of account books for examination every year, by all the traders, but only if considered absolutely necessary, the account books were examined. This was not true. The above officers were not satisfied unless they had examined once every year the account books of all merchants who had submitted 'D' form notices. This meant that the officers did not believe in the 'D' form notices of any one of the merchants. Hence in future it should be insisted that account books should be ordered to be produced only in cases where there was a strong ground to disbelieve the 'D' form statement and that ordinarily the merchants should not be put to any inconvenience on this account.

In the Government letter above referred to, it was also stated that all reasonable expenditure permissible under the Rules, was allowed by the Income Tax officers. There were some items of expenditure which were incidental to the carrying on of the business of traders. But the officers allowed only some, in making allowances for abatement of income tax. For instance, the expenditure under "charity", "*Vattachilavu*", "vehicle hire", "*panisupari*" and under salaries paid to relatives who had no claim to any share in the business, was disallowed. These items were indispensable for carrying on any business in Travancore and should not be disallowed. Hence the existing Rules should be amended so as to clearly specify which items of expenditure would be allowed and which items were to be excluded.

Another grievance was that, even when merchants had incurred very great loss in their business they were not spared from being assessed.

The same complaint was raised at the last session of the Assembly; but the Income Tax Commissioner had reported to Government that the statement was unfounded. If required, specific instances of such cases of assessment could be given.

The member thanked the Government for issuing instructions to the Income Tax Officers to send copies of the assessment orders along with the 'F' (demand) notices. But the practice had not been put into force yet. It should be done so immediately.

The method adopted in examining accounts was quite undesirable. The officers were intent more upon finding ways and means to reject the accounts. Most of the merchants of the country were those who knew only the vernaculars. Their method of maintaining the accounts was not acceptable to the officers. Accounts were often rejected on the ground that no stock account was maintained regarding the daily transactions and also for not preserving vouchers for the expenditure. To seek redress by appeal against an assessment order was not advisable, because of the time and cost involved. The Income Tax Officers always had a prepossession that all business resulted in profit and in examining accounts their aim was to assess the merchants somehow.

The Rules should be so amended as to provide that only the rent on buildings actually realised should be included under income and that no rent should be calculated on one's own building used for one's own residence.

The *Veethapalisa* of *chitties* was included under income. Hence the discount deducted in bidding the *chitties* should also be included under loss or expenditure.

The practice under which officers insist on merchants taking their account books to places where they went on circuit should be put a stop to and the officers should be required to go to the places of business of the merchants to examine the account books.

Circulars were issued every year to the Tahsildars and to the Division Assistants, instructing them that they should see that the income tax assessed in their respective taluks should on no account fall short of the amount collected during the previous year, failing which severe action would be taken against them. That was quite undesirable and Government should see that such circulars are not issued in future.

The practice under which it was insisted that "*Kettupullikal*" should be written off every year was not desirable as it required at least three years to ascertain the same. Hence a circular should be issued that it would be sufficient if *Kettupullikal* were asceratined and written off within a period of four years.

Only 30 days' time was allowed in 'D' form notices for the production of accounts. The Government should see that as far as possible the merchants should not be obliged to produce the account books except in unavoidable cases. Even in these cases, the 30 days' time allowed was quite insufficient. The merchants who had transactions with foreign firms were able to settle their accounts only by the middle

of the succeeding year. Hence 'D' form notices should be sent only in the month of Thulam and three months' time should be allowed in all cases.

The member lastly urged that, in view of the great trade depression in the country and the consequent loss to trading community, the merchants should be exempted from being assessed for income tax during 1106 and 1107.

DEWAN'S REPLY: Many of the points that you have mentioned, Mr. Janardana Pillai, relate to matters, where according to you, the subordinate officers of the department are not applying the law or the rules relating to income tax or the circulars of the Income Tax Commissioner. I can assure you that, if specific matters are brought to the notice of the Land Revenue and Income Tax Commissioner, he will pay special attention to them.

With regard to the general modifications of practice or rules that you mentioned as being necessary, they also will be considered and enquired into by the Land Revenue and Income Tax Commissioner. The rules and the practice will be modified in order to give all possible facilities to the traders. You need not be under any misapprehension that Government do not recognise the importance of the trading community of the State. As a matter of fact, grievances of the trading community brought to the notice of the Government are being promptly remedied. This is a statement which you will not dispute. Any complaints taken to the Land Revenue and Income Tax Commissioner will receive his best consideration.

Your other suggestions will receive the best consideration of Government.

### 83. Trade Depression.

MR. M. LAKSHMANAN PILLAI JANARDANA PILLAI (*Trading Classes, Alleppey*) first thanked the Government for having agreed to appoint a committee to enquire into the subject. But the matter should be expedited. If the appointment of the committee was delayed, the report of the committee would not confer any benefit on the people. The terms of reference to the committee should be very wide and comprehensive and should cover a large field of enquiry. If necessary, a small sub-committee should be empowered to tour through Bombay, Karachi, Calcutta, Ceylon and Rangoon for conducting enquiries regarding the export trade of the State with those commercial centres. The member then made the following suggestions :—

1. Funds should be advanced to export merchants on the security of export stocks and taking property as collateral security, to enable them to retain larger stocks. This would induce them to raise the prices of fresh arrivals of stock. This was the only practical method of raising the low price of raw materials.